



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE ENROLLED BILL ANALYSIS**

DRAFT

Date:	Enrolled	Bill No:	Assembly Bill 291
Tax Program:	Underground Storage Tank Maintenance Fee	Author:	Wieckowski
Sponsor:	Author	Code Sections:	HSC 25299.43
Related Bills:		Effective Date:	01/01/12

BILL SUMMARY

This bill extends the temporary underground storage tank maintenance fee rate increase of \$0.006 per gallon for an additional two years, from January 1, 2012, to January 1, 2014. This bill is double-joined to AB 358, which deals with, among other things, the payment of claims by the State Water Resources Control Board.

ANALYSIS

CURRENT LAW

Under current Section 25299.41 in Article 5 (commencing with Section 25299.40) of Chapter 6.75 of Division 20 of the Health and Safety Code (HSC), an owner of an underground storage tank is required to pay a storage fee of six mills (\$0.006) for each gallon of petroleum (including, but not limited to, gasoline and diesel fuel) placed in an underground storage tank which he or she owns. Section 25299.43 imposes an additional fee of eight mills (\$0.008), for a total underground storage fee of fourteen mills (\$0.014) per gallon of petroleum placed in the tank. This fee amount was temporarily increased in 2009 by an additional six mills (\$0.006) for each gallon of petroleum placed in an underground storage tank, on and after January 1, 2010, for a total of twenty mills (\$0.020) per gallon. This increase is effective until December 31, 2011, at which time the fee will revert back to the previous rate of fourteen mills (\$0.014) per gallon. The fees, which are reported and paid to the Board of Equalization (BOE), are deposited into the Underground Storage Tank Cleanup Fund and are earmarked for the cleanup of leaking tanks. The entire fee is due to sunset as of January 1, 2016.

PROPOSED LAW

This bill amends HSC Section 25299.43 to extend the temporary increase in the storage fee rate of an additional six mills (\$0.006), for a total of twenty mills (\$0.020), for each gallon of petroleum placed in an underground storage tank, until January 1, 2014, at which time the fee will revert back to the previous rate of fourteen mills (\$0.014).

The bill is effective January 1, 2012. This bill is double-joined to AB 358, which deals with, among other things, the payment of claims by the State Water Resources Control Board, and would only become operative if AB 358 is enacted and becomes effective on or before January 1, 2012.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

BACKGROUND

The Underground Storage Tank Cleanup Fund was originally established in 1989 by SB 299 (Keene). Subsequent legislation affected fees, fund accounts, repeal dates, and various other provisions.

AB 1906 (Stats. 2004, Ch. 774) was the last bill that increased the UST fee. The fee was increased by one mill (\$0.001) on January 1, 2005, and by another one mill (\$0.001) on January 1, 2006.

SB 1161 (Stats. 2008, Ch. 616), among other things, extended the sunset date of the fee to January 1, 2016.

AB 1188 (Stats. 2009, Ch. 649), among other things, temporarily increased the underground storage tank maintenance fee by an additional \$0.006 per gallon of petroleum stored, between January 1, 2010, and December 31, 2011.

COMMENTS

1. **Sponsor and Purpose.** This bill is sponsored by the author and is intended to provide a source of funds for reimbursement of expenses related to the cleanup of leaking underground storage tanks.
2. **A temporary rate increase of the underground storage tank maintenance fee would not create administrative problems for the BOE.** As specified, the temporary rate increase would go into effect January 1, 2012, provided AB 358 is also enacted and becomes effective on or before January 1, 2012.

HSC Section 25299.51 allows the State Water Resources Control Board to expend revenues to pay the administrative costs of the BOE.

COST ESTIMATE

The BOE would incur insignificant costs (\$10,000 or below) related to the rate change, including notifying affected fee payers and industry, programming changes, and updating returns and publications. The BOE is committed to absorbing the administrative costs it incurs due to the extension of the increase in the underground storage tank fee.

REVENUE ESTIMATE

BACKGROUND, METHODOLOGY, AND ASSUMPTIONS

The bill proposes to extend the temporary fee increase previously enacted, in the amount of an additional \$0.006 for each gallon of petroleum stored in underground tanks for two years, from January 1, 2012, to January 1, 2014. We estimate that the extension of this amount would provide additional revenues of an estimated \$48 million ($\$0.006 \times 8 \text{ billion gallons} = \48 million) in fiscal year (FY) 2011-12, an estimated \$102 million ($\$0.006 \times 17 \text{ billion gallons} = \102 million) in FY 2012-13, and an estimated \$54 million ($\$0.006 \times 9 \text{ billion gallons} = \54 million) in FY 2013-14.

REVENUE SUMMARY

The following are estimated additional revenues for FY's 2011-2014:

FY	Total Consumption	Proposed Fee	Revenue
2011-12	8,000,000,000	\$0.006	\$48,000,000
2012-13	17,000,000,000	\$0.006	\$102,000,000
2013-14	9,000,000,000	\$0.006	<u>\$54,000,000</u>
			\$204,000,000

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